

Review of the Rural Business Development Corporation Act 2000

Dr David Morrison

October 2012

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Introduction / Background

Section 41 of the Rural Business Development Corporation Act requires that:

- (1) The Minister is to carry out a review of the operation and effectiveness of the Act as soon as practicable after the expiry of five years from the Act's commencement. The Act received Royal assent on 6 December 2000.
- (2) In the course of the Review, the Minister is to have regard to:
 - (a) the effectiveness of the operations of the Rural Business Development Corporation (RBDC);
 - (b) the need for the continuation of the functions of the RBDC and continuation of the Act; and
 - (c) any other matters that appear to the Minister to be relevant to the operation and effectiveness this Act.
- (3) The Minister is to prepare a report based on the Review and, as soon as practicable after the Report is prepared, to provide the report to both Houses of State Parliament.

The terms of reference for the Review are (2)(a) to (2)(c) above of Section 41 of the Act.

Rural Business Development Corporation

The Rural Business Development Corporation (RBDC) is established under the Rural Business Development Corporation Act 2000.

The RBDC administers financial support schemes for the farm sector on behalf of the state and delivers other services for the benefit of rural industry.

The Act allows the RBDC to administer financially 'approved assistance schemes'—any scheme which states the purpose and nature of financial assistance, identifies the categories of person's eligible for financial assistance, and is approved by both the Minister for Agriculture and the Treasurer. The RBDC also provides advice to the Minister for Agriculture on a range of rural issues.

Review process

Although an Issues Paper was not specified by the Act as a requirement of the Review process, an Issues Paper was drafted to bolster the important consultation phase of the Review.

The purpose of the Issues Paper was to identify issues that are significant and highly relevant to the Review, especially its terms of reference. The Paper was designed to help stakeholders develop submissions to the Review and guide them to ensure important issues were addressed.

The Paper lists issues and asks questions rather than drawing conclusions or presenting strong views on the issues. The Paper is, with the Act and annual reports, on the Department of Agriculture and Food website and also an attachment to this Report.

Views on the issues were not firmed up until after stakeholders' submissions were read, presentations made, discussions held and analysis completed so that well informed conclusions would be drawn for the Report.

Submissions

Submissions responding to the Issues Paper, but not necessarily confined to issues in the Paper were invited and received. While it is acknowledged that only three formal submissions were received, they were from three key stakeholders WAFarmers (WAFF), Pastoralists and Graziers Association (PGA) and State Treasury, with other contributions coming from meetings and discussions. Some of the key points made in the submissions are presented below and full submissions are in attachments.

Key points arising from the Review

2(a) Effectiveness of the operations of the Rural Business Development Corporation

There is strong evidence that RBDC operations are effective.

All three submissions agreed that the RBDC's operations have been and are effective.

In further discussions with other stakeholders, findings leave no doubts that RBDC operations were and are effective.

WAFF commented that RBDC has carried out its legislative responsibilities since the time of the RBDC's incorporation under the current RBDC Act in 2000.

The PGA is satisfied with the effectiveness of RBDC and in particular administration of financial support programs for the farm sector, and the Commonwealth and state Governments.

WAFF supports the continued operation of the RBDC and the Act.

RBDC has been effectively delivering and administering schemes such as financial support, training and capacity building. The PGA's view of RBDC is based on the very impressive customer surveys and favourable Performance Indicator results over the last several years.

Key effectiveness indicators, measured the percentage of expenditure that goes directly to the intended recipient. In 2011 it was 86.5 per cent and the percentage that was administrative expenditure was only 13.5 per cent (for further data, see 2010 and 2011 annual reports).

Performance measures show that in each of the last four years more than 90 per cent of customers were satisfied with the way RBDC schemes were administered.

RBDC has been effective in delivering and administering schemes. It also has the ability to administer financial support schemes for the state and Australian governments.

State Treasury acknowledged the benefits of RBDC delivering and administering schemes. Treasury highlighted the level of transparency RBDC has in administering the schemes.

Conclusion

On the basis of the evidence and opinions above, the operations of the Rural Business Development Corporation are highly effective. It appears from meetings and submissions there is no dissenting opinion.

2(b) The need for continuation of the functions of the RBDC and the continuation of the Act

Functions and schemes:

Functions:

- Administering approved assistance schemes and ensuring they are administered properly and fairly.
- Allocate financial assistance directly to approved assistance schemes.
- Providing money to public service departments, agencies or instrumentalities, so that financial assistance can be given under an approved assistance scheme.
- Carry out research into and develop policies on issues affecting persons likely to be given financial assistance under the Act.
- Review and give advice to the Minister on assistance implementation and economic and other conditions.

RBDC Schemes

The **Rural Adjustment Scheme Exceptional Circumstances Interest Rate Subsidy** has been a core business for RBDC since 2000. It is administered by the RBDC for the Australian and Western Australian governments by assessing applications for interest rate subsidies. However the Australian Government has recently announced that it will not be continued as before. There have been significant national policy changes which have not yet been concluded.

Pilot of Drought Reform Measures in Western Australia is a recent joint state / Commonwealth pilot scheme, aimed at creating a more pro-active drought preparedness approach. However it is not clear that the State and Australian Governments will transition from the pilot of Drought Reform measures to a National Australian Government scheme.

The **Climate Adaptation Assistance scheme** is to assist drought prone communities in the North East Agricultural Region. WAFF supports this scheme, however, the PGA does not believe the scheme should be continued. This scheme has closed for new project applications and there is a funding commitment of \$666,000 for projects awaiting completion.

The **2010 Dry Season Assistance Scheme** is to assist farmers and rural communities to deal with the effects of the unprecedented dry season in 2010.

Farm Training WA Scheme is a business capacity building initiative. This scheme is now closed for new applications.

WAFF sees benefits from the continuation of existing functions and schemes of the RBDC and the Act. In the current farming environment WAFF sees a benefit from additional schemes and programs.

The PGA also favours continuation of RBDC current functions and most schemes. RBDC has the independence needed to administer training programs that improve management of rural businesses, increase resilience to withstand volatility of climate and markets impacting on farming operations.

State Treasury acknowledges the benefits of RBDC administering schemes and the high level of transparency of RBDC's functions and the Board members' wide range of relevant expertise.

WAFF sees benefit in the RBDC adding to existing functions, notably economic services, in areas such as grain marketing. A grain 'workshop' had identified some of those needs, such as an independent 'grain broker' and on-going grain market training. It is noted that extension services are outside the RBDC Act.

WAFF proposes inclusion of other areas which could be covered by policy research and development on issues affecting recipients of financial assistance and giving advice to the Minister on economic and other schemes. The RBDC is already able to advise the Minister under the Act as it is, and it does so.

PGA supports the continuation of RBDC and the Act, but it does not agree that the RBDC's role should be expanded beyond current schemes and programs, nor does it see that on-going and new schemes are needed, such as the independent 'grain broker' and training in grain marketing.

The PGA view is that there is a need for more accountability of programs. An example is the climate change mitigation programs, which PGA assessed as having little value. (the reviewer assumes this is in reference to the Climate Adaptation Assistance Scheme).

WAFF supports the continued operation of the RBDC and the RBDC Act 2000, without change. The PGA, like WAFF, is generally supportive of continuation of RBDC's role administering current functions.

The PGA, like WAFF, is generally supportive of continuation of RBDC's role administering current functions. It acknowledges the RBDC has been very effectively delivering and administering schemes for the Australian and state governments.

The PGA is of the view that the RBDC administration of these programs should focus solely on assistance for the rural community. It should be noted that under the legislation RBDC schemes can only provide support programs to the rural sector.

The PGA recognises that RBDC has the independence and expertise to administer training schemes that provide improved management of rural businesses and greater resilience for Primary producers.

WAFF also proposes inclusion of other areas which could be covered by the Act, such as new policy research and development on issues affecting recipients of financial assistance. It should be noted that under the legislation the RBDC already has the powers to do this.

WAFF supports the continued operation of the RBDC under its current identity. It points out that the expansion of functions can be progressed through the current Rural Business Development Corporation Act 2000 under part 2, Division 1, Section 7.

The PGA, like WAFF, is generally supportive of the RBDC's role administering current functions however, the PGA does not have the same strong views favouring expansion that WAFF has. Rather, PGA is focussed on accountability for new schemes and functions.

The PGA recognises that RBDC has been effective delivering and administering schemes for Commonwealth and state governments. Its view is based on the evidence of very favourable customer survey results, and strong Performance Indicators.

PGA comments that there is a need for greater accountability to ensure continued effectiveness. The PGA's view is that some schemes or programs are not necessary.

The RBDC has the necessary independence and expertise to administer training schemes.

The PGA is of the view that the administration of these schemes should focus solely on assisting the WA rural community—not servicing other communities. It should be noted that under the legislation RBDC schemes can only provide support programs to the rural sector.

The Act as a whole would be retained and the RBDC should continue with most existing programs.

The PGA commented that the performance of the RBDC could improve accountability. Ideally there would also be analysis showing whether there are net benefits of programs.

According to PGA they have identified schemes that should not continue, e.g. the Climate Adaptation Assistance Scheme.

There have been courses for farmers and expansion of schemes to include product marketing and application of technology—there needs to be value for money in the schemes for them to be worth implementing or continuing.

The RBDC has been very effective delivering and administering programs. This view is also the PGA's which is based on the very favourable customer survey results providing strong evidence of effectiveness and strong Corporation Performance Indicators.

State Treasury in its submission referred to the RBDC performance measures and the very high level of transparency in the performance of its assistance schemes. State Treasury also noted the Board members' wide range of relevant expertise.

A merger between the Department of Agriculture and Food, Western Australia (DAFWA) and RBDC could enhance the present good communication between them. A merger between DAFWA and RBDC would be consistent with state wide government policy to reduce the number of Boards and committees, overheads, staffing costs and redundancies.

State Treasury requested that the Review should consider the net benefit of integrating the functions of the RBDC with DAFWA. This issue is developed further in 2(c).

The Act also gives RBDC an independent capacity to consult, comment, undertake research, provide advice and develop scheme proposals.

The PGA believes that the RBDC's drought pilot scheme has the ability to deliver schemes more effectively than the Australian Government or departments in other states.

While all three submissions agree on the efficiency of RBDC, different aspects are emphasised by the submissions: WAFF noted that not only was RBDC effective, but that it has effectively carried out its legislative responsibilities since its incorporation in 2000.

All stakeholders are at least satisfied with the effectiveness of the operations of the RBDC and in particular with the RBDC's ability to administer financial support schemes for the state and Australian governments.

Part of the reason for this superior effectiveness is that the Australian Government and the other state agencies usually have a broader non-rural focus and are less able to concentrate on the rural sector.

Conclusion

The key stakeholders see significant benefit from the continuation of existing functions and schemes of the RBDC and the Act. It is concluded the Act as a whole and the RBDC should be retained without significant change. Greater accountability and analysis of divergent views on schemes and programs can provide even further effectiveness.

2(c) Any other matters that appear to the Minister to be relevant to the operation and effectiveness of the Act

Governance

In the present model of governance, the Board of the RBDC is responsible for Corporate Governance, strategic direction and to ensure that functions are delivered efficiently and effectively.

The use of a Statutory Corporation to administer financial assistance schemes to the rural sector has been practised for 40 years. In the past the Corporation was known as the Rural Adjustment and Finance Corporation (RAFCOR).

One criticism has been that the 2000 bill contained provisions that would authorise the Minister for Agriculture and the Treasurer to establish approved assistance schemes without Parliamentary scrutiny. This seems to have been an issue at that time but now seems not to be of the same concern to stakeholders.

Present arrangements have the RBDC as the statutory body responsible for the above functions, but RBDC has close arrangements with DAFWA, formalised in a memorandum of understanding (MOU) whereby DAFWA provides the staff and resources for the RBDC to undertake its functions.

Under the MOU, DAFWA promotes schemes, receives and processes applications for assistance, decides on applications under an instrument of delegation by the RBDC board, reviews applications, arranges payments and provides staff to the RBDC. The Director General of DAFWA is the Chief Executive Officer of the RBDC.

As illustrated above the relationship between RBDC and DAFWA is already very close, and communication seems effective.

RAFCOR, the predecessor to the RBDC, in its time had little contact with DAFWA, and in retrospect some stakeholders have seen this as possibly a mistake. However RBDC and DAFWA are now much closer than then.

If there was a merger it would obviously end the independence of the RBDC which may not be acceptable because the independence of the RBDC is perceived as a reason for RBDC's effectiveness and efficiency.

A merger between DAFWA and RBDC would be consistent with Government wide policy, such as Government Structures for Better Results—or, more formally known as: The Report of the 2001 Taskforce Established to Review the machinery of Western Australia's Government.

Benefits of the merger would reduce the number of Boards and Committees in Western Australia, thereby reducing overheads, staffing costs and costs of redundancy.

State Treasury is the agency which has the responsibility to reduce the number of Committees and Boards. Nevertheless, on this issue state Treasury's submission was equivocal, acknowledging that there are benefits from the RBDC administering the schemes.

The Act also gives the RBDC an independent capacity to consult, comment, undertake research, provide advice and develop scheme proposals.

RBDC can also establish its own secretariat and contract its own operational needs such that it has a choice of whether or not it accepts service provision by DAFWA staff. An observation of the reviewer is that the secretariat seems to be working well.

Does the RBDC need all these functions, powers and independence, including the potential flexibility it has to choose who provides its services. RBDC's acknowledged high level of performance seems to be related to its independence and the above functions and other powers it has.

The exercising of RBDC choice of service provider may adversely affect the effective allocation of DAFWA resources, however the RBDC reimburses DAFWA for all services provided, as well as paying a contribution towards fixed overhead costs.

An advantage of DAFWA and RBDC merging, would be that an MOU would not then be needed. However legislation enabling DAFWA to borrow and to lend to farmers would need to be drafted.

State Policy on Statutory Boards

Successive state Governments have been concerned that there are too many Statutory Boards in Western Australia. The 2001 Machinery of Government review found that the number of Statutory Authorities is excessive and recommended that a Statutory Authority should only be established if its functions cannot be performed by a Department. In launching the 2001 Taskforce Government Review, the Premier stated:

'Boards and committees play an important role in providing advice to Government, but we must examine how many have outlived their relevance and usefulness.'

The RBDC, as a flexible and independent entity seems **not** to have outlived its usefulness and relevance. Should RBDC be merged with DAFWA? The evidence has established that departments cannot be independent of Government.

In the present model the Board of the RBDC is responsible for Corporate Governance, strategic direction and to ensure that functions are delivered efficiently and effectively.

Present arrangements have the RBDC as the statutory body responsible for the above functions, but RBDC has close arrangements with DAFWA, formalised in a Memorandum of Understanding.

Under the MOU, DAFWA promotes schemes, receives and processes applications for assistance, reviews applications, arranges payments and provides staff to the RBDC.

The DAFWA / RBDC governance arrangement has the potential of a merger between them which could have some benefit such as to enhance the present good communication between DAFWA and RBDC, but given the current close relations, the communication of a department may not be an improvement.

A merger between DAFWA and RBDC would be consistent with state wide government policy such as the Report of the 2001 Taskforce established to review the machinery of Western Australia's Government.

Impacts of the merger would be to reduce the number of Boards and Committees in Western Australia thereby reducing overheads, staffing costs, costs of redundancy and consistency with state wide government policy.

State Treasury has the responsibility to reduce the number of Committees and Boards. Nevertheless on this issue State Treasury's submission was equivocal acknowledging that there are benefits from the RBDC administering the schemes, including RBDC's independence and administration, and the Board members' wide range of expertise.

The Act also gives the RBDC an independent capacity to consult, comment, and undertake research. RBDC can also establish its own secretariat and contract its own operational needs.

Does RBDC need independence, and the other functions and powers it has—would it still be as effective without them? The view of stakeholders is that it would not.

Would there be any significant net cost to the rural sector if DAFWA integrated the RBDC functions to form the one organisation, rather than just providing its current services. Implications include that the merged entity would not need an MOU. However it would need considerable legislative changes to enable DAFWA to borrow and to lend to farmers.

RBDC as an independent entity has not outlived its usefulness and relevance. Stakeholder opinion seems to establish that the current functions and schemes remain useful and relevant and the Board is competent and is independent.

It can be argued that the Board's competent and effective, contributing to the effectiveness of the RBDC's overall performance.

Moreover a government department could not take the place of the RBDC, the reason being that a department could not be independent of government, and independence seems to be an important factor establishing RBDC's effectiveness. Moreover it could be argued that an independent RBDC role might not be able to be performed by a Government Department as Departments cannot be independent of government (but Statutory Authorities can).

Conclusion

The benefits of merger would be consistent with state wide government policy on statutory Boards and may possibly reduce costs. However, RBDC's Board and its independence have a key role in the effectiveness of the RBDC and the merger would be an unjustifiable risk.

Conclusions / Recommendations

2(a) Effectiveness of the operations of the Rural Business Development Corporation

All submissions concluded that operations were and are highly effective. WAFF and PGA are satisfied with the effectiveness of RBDC and the Act, particularly administration of financial support programs.

Key effectiveness indicators show that over each of the last four years, more than 90% of customers were satisfied. In 2011, over 86% of funds went directly to the intended recipient, while the administrative expenditure was only 13.5%.

It is concluded on the basis of the evidence views and opinions, that the operations of the Rural Business Development Corporation are highly effective. It also appears that there is no dissenting opinion amongst stakeholders.

Recommendation 1:

The operations of the Rural Business Development Corporation (RBDC) have been and are, very effective. No significant change is justified.

2(b) The need for continuation of the functions of the RBDC and the continuation of the Act

The Act as a whole and the RBDC should be retained. The key stakeholders (WAFF, PGA and State Treasury) see significant benefit from the continuation of existing functions and schemes of the RBDC and the Act.

It is recognised by stakeholders that the RBDC has the ability to deliver schemes more efficiently than other providers such as the Commonwealth and State Departments.

In the current farming environment WAFF sees a benefit from additional schemes and programs.

The PGA also supports continuation of RBDC current schemes and programs, however it is noted that there are a number conflicting stakeholder opinions on proposed and existing schemes and programs. If RBDC is adequately resourced, analysis of net benefits of proposed schemes and programs would be of value prior to implementation.

PGA believes there is a need for greater accountability to maintain effectiveness of some programs and to ensure they are on track. There is some uncertainty about future schemes and programs. In particular, policy for the core Exceptional Circumstances Scheme is likely to be substantially changed as a result of national policy changes.

The key stakeholders see significant benefit from the continuation of existing functions and schemes of the RBDC and the Act. It is concluded the Act as a whole and the RBDC should be retained without significant change. Greater accountability and analysis of divergent views on schemes and programs can provide even further effectiveness.

Recommendation 2:

There is a need for continuation of the functions of the RBDC and continuation of the Act. The Act as a whole and the RBDC should be retained without significant change.

There is scope for further tightening of accountability and analysis of the net benefit of schemes and programs when there are divergent views.

2(c) Any other matters that appear to the Minister to be relevant to the operation and effectiveness of the Act

In its submission to the Review, State Treasury raised the question of whether it would be beneficial to merge the functions of RBDC with those of DAFWA. The Government has a policy of limiting the number of Statutory Corporations and identifying and examining them to see whether they have out-lived their relevance—the RBDC would seem **not** to have outlived its relevance.

Impacts of the merger include a reduction in costs but this seems to be outweighed by the value of on-going programs and schemes. The Board is competent and its independence and powers are significant contributors to the effectiveness of the RBDC. Moreover merging RBDC with DAFWA to create a single entity may make it impossible to retain the RBDC's independence, because a government department cannot be independent of government.

In the current model of governance, the Board of the RBDC is responsible for Corporate Governance, strategic direction and to ensure that functions are delivered efficiently and effectively.

Benefits of a merger would be consistent with State wide policy on statutory boards. It may also reduce costs of overheads, staffing and may enhance the already sound communication between RBDC and DAFWA.

However RBDC is a high performing statutory authority which already has close and satisfactory relationships with DAFWA that are formalised in a memorandum of understanding (MOU) whereby DAFWA provides staff and resources to RBDC.

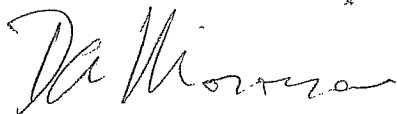
The competence of the Board, and the Board's independence and other powers are important to achieving and maintaining the high effectiveness of the RBDC.

The benefits of merger would be consistent with state wide government policy on statutory Boards and may reduce costs. However, RBDC's Board and its independence have a key role in the effectiveness of the RBDC and the merger would be an unjustifiable risk.

Recommendation 3:

The RBDC should not merge with DAFWA to form a single entity. RBDC should maintain its existing structure as it appears to be an integral part of the effectiveness of the RBDC.

In spite of the effectiveness of the RBDC Board, development of members could be enhanced by relevant activities, especially for, but not confined to, less experienced members.



Dr David Morrison
Reviewer – Rural Business Development Corporation Act 2000

11 October 2012

Attachments

1. Issues Paper

2. **Submissions received**

Submission from The Western Australian Farmers Federation (WAFF)

Submission from the Pastoralists and Graziers Association (PGA)

Submission from Department of Treasury

REVIEW OF THE
RURAL BUSINESS DEVELOPMENT CORPORATION
ACT 2000

ISSUES PAPER

Reviewer:

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Background

Section 41 of the Rural Business Development Corporation Act 2000 requires that:

- (1) The Minister is to carry out a review of the operation and effectiveness of the Act as soon as practicable after the expiry of five years from the Act's commencement. The Act received Royal assent on 6 December 2000.
- (2) In the course of the review, the Minister is to have regard to:
 - (a) The effectiveness of the operations of the Rural Business Development Corporation (RBDC);
 - (b) The need for the continuation of the functions of the RBDC and continuation of the Act; and
 - (c) Any other matters that appear to the Minister to be relevant to the operation and effectiveness this Act.
- (3) The Minister is to prepare a report based on the Review and, as soon as practicable after the Report is prepared, to provide the report to both Houses of State Parliament.

The terms of reference for the Review are (2) (a) to (2) (c) above of Section 41 of the Act.

Issues Paper

The paper is part of the important consultation phase of the Review. The purpose of the paper is to identify issues that are relevant to the Review and which may help stakeholders to develop submissions to the Review and/or to contribute to the Review in other ways. The paper lists issues and asks questions rather than, at this stage, reaching conclusions, or presenting strong views on the issues.

The focus of this Issues paper is on the Review's Terms of Reference. It is recognised that the Issues paper may not identify all the pertinent issues. Identification and comment on other issues relevant to the Terms of Reference are welcome.

Section 41 (2) of the *Rural Business Development Corporation Act 2000* requires that in the course of the Review the Minister is to have regard to:

(a) The effectiveness of the operations of the RBDC

- Is there evidence that RBDC operations are efficient and effective?
- How effective are the services of the RBDC?
- Surveys by RBDC show that in each of the last four years, more than 90% of customers were satisfied with the way RBDC schemes were administered. RBDC effectiveness targets have been met.
- How does the effectiveness of the RBDC's operations compare with agencies performing similar functions in other States / Territories?
- How do other stakeholders rate the effectiveness of the RBDC's services?

(b) The need for the continuation of the functions of the RBDC and the continuation of the Act

How efficient and cost effective has the RBDC administration been?

- Expenditure on administration in 2011 appears to be a small part (13.5%) of total expenditure, suggesting efficiency and cost effectiveness.
- Is the RBDC meeting all the functions specified in the Act?
- Are there any functions that are no longer needed or new functions that may be needed or need to be expanded?

Functions include:

- To administer approved assistance schemes and ensure such schemes are administered properly and fairly.
- To give directly the financial assistance to be given under approved assistance schemes.
- To provide moneys to a public service Department or to an agency or instrumentality for the purpose of financial assistance to be given under an approved assistance scheme.
- To review and give advice to the Minister on assistance implementation and economic and other conditions.

How effectively has the RBDC administered its schemes and how valuable are the schemes to the rural sector? The 2011 Annual Report shows customer satisfaction for scheme services is over 70% for all schemes and over 90% for most schemes.

Schemes include:

- Exceptional Circumstances Scheme (currently closed as there are no current EC declarations in place in WA) is administered by the RBDC for the West Australian and Australian governments, assessing applications for interest rate subsidies.
- Pilot of Drought Reform measures, a recent joint State / Commonwealth scheme aimed at more proactive drought preparedness approach.
- Dry Season Assistance Schemes to provide support to rural communities impacted by dry seasons.
- Climate Adaptation Assistance scheme to assist drought prone communities.
- Farm Training WA, a business capacity building initiative.
- Subsidised Interest Rate Scheme for Pastoralists and Service Businesses Involved in Live Cattle Exports to Indonesia.

Research Projects include:

- Grow Zone Mentoring.
- Y Zone Youth Advisory Group.

Other issues include:

- Should the Act as a whole be retained and should the RBDC continue with all existing functions and schemes?
- Is RBDC operating within its legislation?

- Does the current legislation impede any essential function of the RBDC?
 - How could the performance of the RBDC be improved?
 - Is there anything RBDC does that it should not do?
 - Should the role of the RBDC be widened to expand economic and extension services?
 - Does the recent deregulation of grain marketing warrant an expansion of schemes to include product marketing and application of technology?
 - Is there a reason to be wary of a widening of the range of schemes, which may detract from priorities?
- (c) **Any other matters that appear to the Minister to be relevant to the operation and effectiveness of the Act.**

Governance

In the present model of governance, the Board of the RBDC is responsible for Corporate Governance, strategic direction and to ensure that functions are delivered efficiently and effectively.

The use of a Statutory Corporation to administer financial assistance schemes to the rural sector has been practised for 40 years. One criticism has been that the 2000 bill contained provisions that would authorise the Minister for Agriculture and the Treasurer to establish approved assistance schemes without Parliamentary scrutiny. Is this still of concern?

Present arrangements have the RBDC as the statutory body responsible for the above functions, but RBDC has close arrangements with DAFWA formalised in a memorandum of understanding (MOU). Under the MOU DAFWA promotes schemes, receives and processes applications for assistance, reviews applications and arranges payments and provides staff to RBDC. The Director General of DAFWA is the Chief Executive Officer of the RBDC.

Does this governance arrangement have advantages? For example good communication between DAFWA and RBDC could be further enhanced?

Are there disadvantages? For example RAFCOR, the predecessor to the RBDC, had little contact with DAFWA, was that a mistake?

The Act also gives the RBDC an independent capacity to consult, comment, undertake research, provide advice and develop scheme proposals. RBDC can also establish its own secretariat and contract its own operational needs such that it need not accept the services currently provided by DAFWA staff.

- Does the RBDC need all these functions, powers and independence, including the potential flexibility it has to choose who provides its services and what are the advantages and disadvantages?
- Could the exercising of RBDC's choice of service providers adversely effect the efficient allocation of DAFWA resources?
- Are there potential benefits to RBDC from the ability it has to choose its service providers?

Would there be any significant net cost to the rural sector if DAFWA integrated the RBDC functions to form the one organisation rather than just providing its current services. If this happened, what would be lost and what would have to be done?

- DAFWA and RBDC merged; there would be no need for an MOU.
- Legislation enabling DAFWA to borrow and to lend to farmers would be needed.
- Do the advantages of an independent and flexible RBDC exceed the advantages of a single merged entity?

State Policy on Statutory Boards

Successive State Governments have been concerned that there are too many Statutory Boards in Western Australia. The 2001 Machinery of Government review found that the number of Statutory Authorities is excessive and recommended that a statutory authority should only be established if its functions cannot be performed by a Department. In launching the 2001 Taskforce Government Review, the Premier stated:

Boards and committees play an important role in providing advice to Government, but we must examine how many have outlived their relevance and usefulness.'

Has the RBDC outlived its usefulness and relevance? Evidence may establish that the functions and schemes remain useful and relevant.

Submissions

Submissions responding to the Issues Paper are invited. Submissions to be sent to Dr David Morrison, RBDC Act Review, at the Department of Agriculture and Food at 3 Baron-Hay Court South Perth 6111 or emailed to davidmorrison1949@gmail.com and be received on or before 31 January 2012. Submissions will be placed on the review web-site unless the submitter requests otherwise.

After submissions, presentations and analysis, a draft final report will then be circulated for final comment and the Review completed and presented to the Director General and the Minister.



April 5, 2012

Dr David Morrison
RBDC Act Review
Department of Agriculture and Food
3 Baron Hay Court
South Perth WA 6151

Dear David,

The Western Australian Farmers Federation (Inc.) (WAFarmers) thanks you for your communication of March 13, 2012 inviting our comments on the 'Review the Rural Business Development Corporation Act 2000'.

As background, WAFarmers is the State's largest and most influential rural lobby and service organisation. WAFarmers represents approximately 4,000 Western Australian farmers from a range of primary industries including grain growers, meat and wool producers, dairy farmers, pastoralists, horticulturalists, commercial egg producers and beekeepers.

As you noted in your communication, *"in 2008, the Western Australian Farmers Federation was invited by the then reviewer of the Act, Mr. Robin Nussey, to provide a submission. The Western Australian Farmers Federation provided a submission, however the 2008 Review did not proceed. Treasury has a copy of your 2008 submission. You may want to lodge a new submission, or advise that the 2008 submission will again be the Federation's submission."*

As such, whilst some of the investment examples contained in our 2008 submission may not be relevant in 2012, WAFarmers overall position remains the same as in 2008, in that:

"WAFarmers believes that the Rural Business and Development Commission (RBDC) has effectively carried out its legislative responsibilities since its incorporation and that given ongoing and new challenges facing agricultural sectors, there is a clear need for the continuation of the functions of the RBDC and for the continuation of the Act."

In closing, WAFarmers again thanks you for your consideration of the comments in this submission. Should you wish to further discuss the issues raised in this submission, please do not hesitate to contact myself or WAFarmers Director of Policy, Alan Hill on (08) 9486 2100.

Yours sincerely

Dale Park
President



Review of the Rural Business Development Corporation Act 2000

SUBMISSION

To

RBDC Act Review

Prepared by:-

Organisation: The Western Australian Farmers Federation (Inc)

President: Mr Mike Norton

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Contact Name: Andy McMillan

Title: Director of Policy

27 June 2008



27 June 2008

Mr Robin Nussey
RBDC Act Review
Department of Agriculture and Food
3 Baron Hay Court
SOUTH PERTH WA 6151

Dear Robin

Review of the Rural Business Development Corporation Act 2000

Thank you for the opportunity to provide a submission on the review of the *Rural Business Development Corporation Act 2000*.

The Western Australian Farmers Federation (Inc) (WAFarmers) is WA's largest and most influential rural lobby and service organisation.

WAFarmers represents approximately 3,500 Western Australian farmers from a range of primary industries including grain growers, meat and wool producers, horticulturalists, dairy farmers and beekeepers.

It is estimated that collectively our members are major contributors to the \$5.9 billion gross value of production (2005/06 – ABS, WA Agri-Food Industry Outlook – December 2007) that agriculture in its various forms contributes to Western Australia's economy.

Additionally, through differing forms of land tenure, our members own, control and capably manage many millions of hectares of the State's land mass and as such are responsible for maintaining the productive capacity and environmental well being of that land.

WAFarmers believes that the Rural Business and Development Commission (RBDC) has effectively carried out its legislative responsibilities since its incorporation and that given ongoing and new challenges facing agricultural sectors, there is a clear need for the continuation of the functions of the RBDC and for the continuation of the Act.

Agricultural industries in Western Australia are currently at a crossroad. Continuing drought, declining terms of trade, poor commodity prices in several sectors, a recently deregulated export wheat market, hyperinflation of farm input costs, competition from cheap overseas produced food imports, labour shortages, depopulation of regional areas and the uncertainty surrounding the implications for agriculture of climate change policy combine to create an environment of extreme uncertainty for Western Australian farmers.

A lack of government policy that supports the ongoing viability of the agricultural backbone of family owned and operated farms compounds the operational challenges faced by farmers.



Given the increasing likelihood of adjustment within agricultural industries, the role of the RBDC is set to become more critical in future years and it is WAFarmers view that its role should be expanded to increase economic and extension services to farming industries. Examples of where an expanded RBDC role will be required are;

The Department of Agriculture and Food's "WA Food Strategy" has the potential to address many of the challenges highlighted above but whilst yet to be finalised appears to be grossly underfunded to focus on the fundamental issue of the future of food production in WA e.g. the future of the North Eastern Wheatbelt.

WAFarmers is hopeful that the soon to be convened "Farm Inputs Stocktake Workshop" will deliver outcomes which will alleviate the economic pressures being experienced due to hyper inflated farm input costs.

Following forthcoming grain marketing workshops, a need will arise for "an independent broker" to assist wheat growers with ongoing training and information to filter and implement the knowledge gained at the workshops.

Expansion of RBDC functions as proposed and to areas yet to be identified is covered in the Act under Part 2, Division 1, section 7

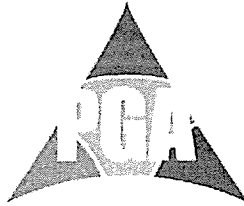
- (d) to carry out research into, and develop policies on, issues affecting persons likely to be given financial assistance under this Act;
- (e) to review and give advice to the Minister on -
 - (i) proposed assistance schemes
 - (ii) the implementation of approved assistance schemes and
 - (iii) economic and other conditions in the rural sector
- (f) to perform other functions given to the Corporation under this Act or another Act and
- (g) to perform any other functions that may be prescribed

As previously stated, WAFarmers supports the continued operation of the RBDC under its current identity.

Should further information be required, please do not hesitate to contact me.

Yours sincerely

Mike Norton
President



7th May 2012

Dr David Morrison
RBDC Act Review
Department of Agriculture and Food
3 Baron Hay Court
South Perth WA 6151

Email: davidmorrison1949@gmail.com

Dear Mr Morrison

The Pastoralists and Graziers Association of WA (Inc) ("PGA") is a non-profit industry organisation established in 1907, which represents primary producers in both the pastoral and agricultural regions in Western Australia.

The PGA welcomes the opportunity to comment on the Department of Agriculture and Food WA review of the *Rural Business Development Corporation Act 2000*, and in particular:

- (a) the effectiveness of the operations of the Rural Business Development Corporation ;
- (b) the need for continuation of the functions of the Corporation and for the continuation of the Act; and
- (c) other matters relevant to the operation and effectiveness of the Act.

INTRODUCTION

The Rural Business Development Corporation (RBDC) is established under the *Rural Business Development Corporation Act 2000* ('Act'). The RBDC administers financial support schemes for the farm sector on behalf of the State and delivers other services for the benefit of rural industry.

The Act allows the RBDC to administer any 'approved assistance scheme' - any scheme that states the purpose and nature of financial assistance, identifies the categories of persons eligible for financial assistance and is approved by both the Minister of Agriculture and the Treasurer. The RBDC also provides advice to the Minister of Agriculture on a range of rural issues.

The RBDC currently administers the following schemes:

- Pilot of Drought Reform Measures in Western Australia
- Subsidised Interest Rate Scheme for pastoralists and service businesses involved in live cattle exports to Indonesia

Other programs administered by the RBDC include:

- 2010 Dry Season Assistance Scheme
- Climate Adaptation Assistance Scheme

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RBDC Act Review
Department of Agriculture and Food
South Perth WA 6151

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- Farm Training WA
- Farm Link Scheme
- Grow Zone Mentoring and Leadership Program
- Y Zone Advisory Group

COMMENTS ON SPECIFIC ISSUES

The Effectiveness of operations of the RBDC

Based upon the review of the Performance Indicators and Application Statistics in the RBDC Annual Report 2010 – 2011, and customer survey results it would appear that the RBDC has been effective in its service delivery of administered programs.

However there would appear to be a need for greater accountability over the effectiveness of some of the programs, especially over Climate Change Mitigation programs, which have little value to the profitability of primary producers.

In addition, the existing roles of RBDC should not be expanded and should be clearly defined to assist with training and management, not extension - especially in the areas of grain marketing. Following the successful deregulation of the wheat export market four years ago; the grains industry has demonstrated its ability to handle its own marketing and professional development programs without the need for Government assistance or intervention.

The Need for Continuation of Function of RBDC

The role of the RBDC is to administer financial support schemes for the farm sector on behalf of the Australian and State governments, and delivers other services for the benefit of rural industry.

Due to the unique nature of rural industries and communities, it is important that the bodies that administer these schemes are focused solely on providing assistance to the rural community.

This is particularly important in Western Australia due to the vast expanse of the State, and the disparity of rural communities, which often make the delivery of such services costly, and inefficient.

The RBDC has the ability to deliver these schemes more efficiently than other Commonwealth and State Departments, which are usually focused on servicing non-rural and remote communities.

The RBDC has demonstrated this ability through its recent administration of Drought Pilot Scheme, and the Subsidised Interest Rate scheme for pastoralists, and its continual development of other schemes including Farm Training WA, and the Farm Link Scheme.

However what needs to be considered is the future role of the RBDC particularly in rural business development and training.

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The number of primary producers in Western Australia is consolidating, leading to a smaller number of producers with increasingly larger or multiple properties and more complex operations. This has led to an increase in the adoption of larger machinery, computerized equipment, and more efficient production methods in order to maximize the profitability of their businesses.

These developments require further training not only in technical areas, but in overall farm management, including human resource management, OH&S, time management, business administration, accounting, and computer training.

While urban based businesses are able to access such training and assistance due to the range of Local, State, and Commonwealth programs available, including the Small Business Development Corporation, the Chamber of Commerce and Industry, TAEF and University extension course, the same cannot be said for many rural based businesses. The RBDC could play a significant role in assisting rural industry by providing much needed training in management practices to the owners and managers at the farm level.

The RBDC is also capable of delivering training programs and assistance to develop the next generation of farmers and pastoralists, and encourage development and investment in rural industry.

Other Matters Relevant to the Minister

The interaction between the RBDC and DAFWA needs to be clearly defined, with a clear definition to the roles and responsibilities of each organization. In order to provide a more efficient delivery of services there must be a clear understanding of who producers can seek advice and assistance from.

SUMMARY

The PGA remains satisfied with the effectiveness of the *Rural Business Development Corporation Act 2000*, and in particular of the Rural Business Development Corporation, and its ability its role in administer financial support schemes for the farm sector on behalf of the Australian and State governments, and other services for the benefit of rural industry.

The RBDC has the independence and the expertise to administer training schemes that provide improved management of rural businesses and increase the ability of primary producers to withstand the volatility of the normal farming operations caused by economic, climatic or personal issues.

Thank you for the opportunity to present this submission.

Yours faithfully,



Rob Gillam
President

MyDocs/A.Bennet/Submissions/RuralBusinessDevelopCorpnAct.07.05.2012

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Government of **Western Australia**
Department of **Treasury**

Our ref : 00065539
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Telephone : 6551 2719

Dr David Morrison
RBDC Act Review
Department of Agriculture and Food
3 Baron-Hay Court
SOUTH PERTH WA 6111

Dear Dr Morrison

**REVIEW OF THE RURAL BUSINESS DEVELOPMENT CORPORATION ACT
2000**

Thank you for your email of 13 March 2012, inviting the Department of Treasury (Treasury) to make a submission to the review of the *Rural Business Development Corporation Act 2000* (the Act).

I recognise that the Rural Business Development Corporation (the Corporation) performs an important role in administering financial support schemes for the agricultural sector on behalf of the State and Commonwealth governments, which it does successfully. I also acknowledge that there are benefits in the Corporation administering these schemes, including:

- the high level of transparency in the Corporation's performance of its functions, as demonstrated by the high level of detail on the programs administered and funding allocation in the 2010-11 Annual Report;
- independent and objective administration of assistance schemes; and
- the wide range of expertise across the agricultural, farming and consulting sectors that is present in the Corporation's Board.

I would recommend that, as part of the review, you consider whether there would be a net benefit in integrating the functions of the Corporation with the Department of Agriculture and Food. This would be consistent with the recommendation made in *Government Structures for Better Results - The Report of the Taskforce Established to Review the Machinery of Western Australia's Government*, in 2001.

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It would also be consistent with the Government's aim to reduce the number of boards and committees in operation in the State, but should be assessed in the context of the benefits of retaining the Corporation that are outlined above.

Yours sincerely



Timothy Marney
UNDER TREASURER

11 April 2012